REPORT OF THE DIRECTOR-GENERAL

APPENDIX

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APPENDIX

Report on the situation of workers of the occupied Arab territories

INTRODUCTION

1. In keeping with past practice, this report is based on the missions I sent to assess the employment conditions of workers of the occupied Arab territories (the West Bank, the Gaza Strip and the Golan). [1] In view of the grave situation in the territories, I decided to strengthen and upgrade this mission in order to ensure the broadest possible range of contacts with policy- and opinion-makers in Israel and the occupied territories.

2. I entrusted Mr. Friedrich Buttler, Regional Director for Europe and Central Asia, Mr. Giovanni di Cola, Senior Official of the Development Cooperation Department, and Mr. Philippe Egger, Senior Economist of the Policy Integration Department, with the mission to the occupied Arab territories. The mission visited Israel and the territories in the West Bank, Gaza and the Golan from 27 April to 6 May 2002. Mr. Lee Swepston, Chief of the Equality and Employment Branch, was entrusted with the mission to the Syrian Arab Republic from 1 to 2 May 2002. In addition, I asked two of my closest collaborators, Mr. Don Skerrett, Director of the Office of the Director-General, and Mr. Samir Radwan, Adviser on Development Policies and Counsellor on Arab Countries, to visit the region. They joined the mission to the territories from 27 April to 1 May and the mission to the Syrian Arab Republic from 1 to 2 May, and visited Cairo from 2 to 5 May, which included attending the Governing Body of the Arab Labour Organization from 7 to 8 May (a list of the missions' interlocutors is appended to the report as Annex I).

[1] See the resolution concerning the implications of Israeli settlements in Palestine and other occupied Arab territories in connection with the situation of Arab workers, adopted by the International Labour Conference at its 66th Session (1980).

3. The report is based on impartial and objective observations gained first-hand by the missions and a careful examination of the documentation submitted to them. Reliable and comprehensive statistical information is available only up to the end of 2001. However, the missions greatly appreciated the valuable more recent information received from the Government of Israel, the Palestinian authorities and institutions, the Government of the Syrian Arab Republic, the League of Arab States, the Arab Labour Organization and employers' and workers' organizations, as well as from United Nations and donor representatives. I would like to express my appreciation to all parties for the extensive collaboration and support received.

4. The missions have strived to avoid bias by listening attentively to people from both sides in an effort to understand both parties' situations and arguments.

5. This report endeavours to give a factual account of the virtual socio-economic meltdown in the occupied territories as a result of the present stage of the conflict and the deep humanitarian crisis which Palestinian families are experiencing. It also describes the very negative impact on the Israeli economy.

6. More than that, the missions made a particular effort to address the deeper, subjective aspects of the situation: the humiliation and frustration felt by Palestinians as a result of the combination of closures and military action by Israel. The notion of "collective punishment" seems to best explain the underlying anger. The report also reflects the sense of insecurity in Israel due to the suicide bombings.

7. To understand and feel this situation, the reader must approach this report in a spirit of empathy and compassion for all concerned. I am well aware that this is not a conventional policy prescription in times of strife, but I am deeply convinced that it is necessary today.

8. It is needed in order to begin to shift the political discourse towards a culture of dialogue. At the time of writing, dialogue between the two sides was virtually non-existent. Rather, there was an undeclared state of war.

9. And yet, in the wreckage of a derailed peace process, there are still many people on both sides of the conflict who are reluctant to give up on the hope for peace. This report is built upon that hope.

10. A conclusion we must all draw from it is that the present situation cannot continue. As the world has dramatically witnessed again in the last few months, global security and local security are indivisible. This is no different from the message given in the Declaration of Philadelphia annexed to the ILO Constitution that "poverty anywhere constitutes a danger to prosperity everywhere". Security in Israel cannot be separated from security for the Palestinian population living in the occupied territories. Political security cannot be sustained if it is not grounded in economic and social security. Poverty, unemployment and economic decline are advancing at an alarming rate in the occupied territories, leading to a widespread humanitarian crisis, as documented

in this report. This is undermining the very prospects of a negotiated political settlement leading to peace in the Middle East. The situation calls for urgent and appropriate attention and response. At the same time, economic growth and social development will not flourish in the absence of solid institutional foundations, establishing democratic accountability for local and central governments and other representative institutions.

11. The strength of the ILO does not lie in the financial resources we can deploy. Rather, our strength lies in the values of social justice and human dignity upon which our Constitution and the Declaration of Philadelphia are founded. Our belief and experience in the institutions of dialogue, social protection and respect for rights have stood the test of time. The ILO stands for values and institutions that people want to see developed in their own societies.

12. ILO values and principles offer a basis for a broader dialogue among governments, elected representatives, employers' representatives and workers' organizations and other relevant actors of society. Any resolution of the conflict must be based on dialogue in which the voice of workers of the occupied Arab territories and their families is heard in order to assist them in achieving their aspirations of decent work. At the same time, the voice of workers in Israel must be heeded. No one can be satisfied with the present situation or, worse still, a further escalation of conflict. I strongly bet on the future, and pledge full ILO support for dialogue towards a hopeful future. I appeal to Palestinian and Israeli constituents to take the risk of embarking on social dialogue across the present divide in their specific areas of competence. I also call on the International Labour Conference to endorse the vision outlined in the present report and to help translate this vision into reality.

13. I fully endorse the missions' conclusions and proposals. With the support of the International Labour Conference and the Governing Body, we must urgently put in place an expanded technical cooperation programme for Arab workers and other constituents of the occupied territories (see Annex II to this report). The ILO is not a funding institution, but we are fully committed to targeting effectively the specific actions that can be implemented with our own resources. The following steps can be taken by the ILO.

(a) Immediately reassess existing programmes of technical cooperation in the light of the new situation and the priorities resulting from the present humanitarian crisis. This should be done within six weeks of the end of the Conference in cooperation with Palestinian tripartite constituents, the donor community and other interested parties.

(b) This reassessment should consider new initiatives in the field of employment promotion, youth, social protection, social dialogue and institutional support as proposed by the missions, as well as those resulting from the discussions at the Conference. I invite all interested governments to pledge resources to this end.

(c) Give full support to the establishment by development institutions and donor countries of a Palestinian Fund for Employment and Social Protection proposed by the Arab Labour Conference. The Office is prepared to make available to the Palestinian Authority, within a short period of time, a feasibility study for analysis and decision-making by all concerned in the creation of the Fund. I believe this is a key initiative.

(d) Explore with Palestinian and Israeli constituents the opportunities for social dialogue as a contribution to creating an atmosphere of mutual respect, trust-building and easing of tensions.

(e) To advance on these issues and others emerging from the Conference, I will strengthen the capacity of the Jerusalem Office and have instructed the internal Task Force which I set up at the end of 2000 to begin the necessary consultations on all questions.

(f) I will report to the Governing Body in November 2002 on the actions taken to enhance the ILO's technical cooperation programme with Palestinian constituents.

14. To conclude, I must add that under the tragic conditions described by this report, the ILO membership faces the enormous challenge of ensuring that our Organization is relevant to the daily life of workers and their families in the occupied Arab territories. We cannot shirk this responsibility.

15. Beyond the ILO, the international community and those countries with greater influence also face a major challenge. In this new context, we have shifted into a humanitarian and reconstruction scenario. We must return to a peace and development perspective. We all need to reassess the means of action so we can respond to the aspirations of all families in the region: parents at work, children at school, security in the streets and peace in the community. This remains the deepest hope of the large majority of Palestinians and Israelis. The world must help them to get there.

May 2002.

Juan Somavia,
Director-General.

I. A RAPIDLY DETERIORATING ECONOMIC AND SOCIAL SITUATION

Closures and economic collapse in the occupied territories

16. A policy of closure has been instituted in the occupied territories as a security measure since the outbreak of the intifada and the escalation of violence on 28 September 2000. This policy implies various degrees of restrictions on the movement of persons, vehicles and goods within the West Bank and Gaza Strip, between these two territories and between them and Israel. Closures have intensified during the second half of 2001 and the first quarter of 2002. An immediate consequence of closure is a decline in income for workers prevented from going to their workplaces, limited or no access to markets for businesses and producers, and higher cost of imports. Economic activity premised on exchange and movement is gradually grinding to a halt. In April 2002, economic activity came to a virtual standstill, except for very local exchanges reduced to essentials and in those few areas not affected by closures.

The occupied territories as closed areas and cities

17. Closures are imposed in the form of military and settler checkpoints, roadblocks and other physical barriers reducing or impeding movements. Severe closure means either a total ban on movement or restriction of traffic to secondary and tertiary roads, most often entailing considerable delays and increased travel time. Partial closure allows the use of some secondary and primary roads with similar restrictions. Table 1 provides quarterly estimates of severe and partial closures for 2001 in the West Bank and Gaza. Owing to the geographical configuration, partial closures have been more prevalent in Gaza (97.4 per cent of all days from January to September 2001), whereas severe closures have been more frequent in the West Bank (68 per cent of all days for the same period) (UNSCO, 2001). On average the territories were closed internally and externally for 210 days during 2001.

Table 1. Severe and partial closures in the West Bank and Gaza, first three quarters of 2001 (days)

	Q1	Q2	Q3	Total (%)
West Bank				
Severe	64	31	91	68.0
Partial	27	60	0	32.0
Gaza				
Severe	4	3	0	2.6
Partial	87	88	91	97.4

Q1: first quarter, etc.

Source: based on UNSCO, 2001.

18. Although no information is available for the first quarter of 2002, it is likely that the trend observed in 2001 has continued and possibly even intensified. The military incursion launched on 28 March 2002 has led to a situation of total internal closure throughout most of the West Bank, in which some 150 military checkpoints were stationed in February-May 2002. A curfew was imposed for over 30 per cent of the population in the West Bank during most of April 2002, particularly in the larger cities of Ramallah, Al Bireh, Qalqiliya, Tulkarm, Bethlehem, Jenin, Nablus, Tubas and Hebron. Internal closures have effectively partitioned the Gaza Strip into three closed areas.

19. Closures are also in effect between the occupied territories and Israel, and between the occupied territories and neighbouring countries. Passenger transit, whether pedestrian or by private vehicle, between Gaza and Israel at the Erez crossing was closed for 67.3 per cent of the time between January and September 2001. Commercial traffic was totally closed at the Erez crossing over the same period, for 89.6 per cent of the time between the West Bank and Jordan at the Allenby/Karameh bridge, and for 72.4 per cent of the time at the Rafah crossing on the border between the Gaza Strip and Egypt. Passenger traffic was closed between 25 and 67 per cent of the time at these same crossings. The Karni and Sufa crossings between Gaza and Israel were closed 6.2 and 53.6 per cent of days, respectively, between January and September 2001.

An economy grinding to a halt

20. Closures transmit both demand and supply shocks to the economy of the occupied territories, with cumulative effects. The first channels of transmission are through loss of wage income of Palestinian workers working in Israel (and in Israeli settlements), followed by declining exports from and

imports to the occupied territories. Total annual real wage income from Palestinian workers working in Israel dropped by 45.9 per cent in 2001 compared to the preceding year (table 2). No estimates are available for the first quarter of 2002 but it is believed that the flow of Palestinian workers working (mostly without permits) in Israel has dropped to a few thousand and most likely ceased altogether as of the start of the military incursion of 28 March 2002. UNSCO estimates of non-agricultural trade between the occupied territories and Israel for the first half of 2001 suggest a decline of 33.5 per cent for imports from Israel and 17.7 per cent for exports to Israel with respect to the same period in 2000. For the year 2001, preliminary estimates of the Federation of Palestinian Chambers of Commerce, Industry and Agriculture suggest that total agricultural exports dropped by 53 per cent, and manufacturing exports by 50 per cent, with imports declining between 42 and 60 per cent. The Center for Private Sector Development (CPSD) of the Palestinian Businessmen Association (PBA) estimates that sales volumes dropped by 47 per cent for 2001, the utilization rate of productive capacity by 50 per cent, whilst the cost of primary inputs and of transportation increased by 26 per cent. Firms operating within the occupied territories are thus faced with higher cost of inputs and lower demand. These estimates are currently being updated for the first four months of 2002, during which most cities in the West Bank were subject to curfew.

Table 2. Real wage income of Palestinian workers working in Israel and settlements

	1999	2000	2001
Workers in Israel and settlements	135 000.00	117 000.00	68 000.00
Average daily wage (NIS)	105.80	110.40	106.90
Real daily wage (NIS)	105.80	107.40	102.70
Days per month	20.30	20.2	20.30
Days per year (estimated)	203.00	202.00	203.00
US$-NIS exchange rate	4.14	4.08	4.21
Total annual real wage income (US$ million)	700.35	622.13	336.74

Source: PCBS labour force survey and consumer price index.

21. Total investment declined by an estimated 30 per cent in 2001, according to the World Bank. Public investment dropped by an estimated 25 per cent in 2001, as donors have increasingly shifted aid budgets to needed emergency assistance. Private investment has been deterred by rising costs, particularly of cement and transport, uncertain expectations of returns, and conflict in tourist areas. Capitalization of firms registered on the Palestinian

stock exchange has dropped by an estimated one-quarter of their value (World Bank, 2002).

Fiscal crisis

22. The revenue of the Palestinian Authority plummeted in 2001 by more than 70 per cent (World Bank, 2002). Over 80 per cent of total revenue is derived from taxation on consumption, both domestic and imports. The latter taxes are levied by the Israeli tax administration and have been wholly withheld since December 2000. Domestic tax revenue closely tracks the level of aggregate demand, as reduced demand immediately translates into reduced tax receipts. Municipal finances are faced with similar difficulties due to a strong drop in revenue. Emergency budget assistance from the donor community has partly compensated for the collapse in central government revenue. Payment of wages now represents over 90 per cent of total outlays, as public investment has virtually ceased. Donor-funded public investment has been substantial, but has increasingly been directed towards short-term emergency assistance, including temporary employment programmes.

Damage and destruction resulting from the conflict

23. The escalation of violence and the military occupation of the territories have caused severe physical damage to infrastructure and agricultural land. For the period October 2000-December 2001, the World Bank has estimated the damage (based on replacement cost) at US$305 million, 63 per cent in Gaza and 37 per cent in the West Bank. The damage is mainly to agriculture (58 per cent), public infrastructure and buildings (26 per cent), and private residential, commercial and industrial buildings (16 per cent) (World Bank, 2002). The Palestinian Authority and the Arab Labour Organization have made similar estimates.

24. The military incursion launched on 28 March 2002 has caused extensive damage to public buildings, particularly those of the Palestinian Authority, and to infrastructure, much of which was donor-funded. The Palestinian Central Bureau of Statistics (PCBS), for example, supported by donor funding since 1994, including ILO technical assistance, has been the target of various military assaults on its buildings and technical files. The donor community is preparing (in May 2002) new estimates of damage caused. Preliminary figures put the cost of reconstruction of public and private buildings and infrastructure in the West Bank at some US$432 million.

Real GDP and GNI decline significantly

25. As a result of the above, real GDP growth declined by 12 per cent in 2001, whereas real gross national income (GNI) – the sum of GDP and factor income earned abroad (wages of Palestinian workers earned in Israel) – dropped by 18.7 per cent (table 3). GNI has dropped more rapidly than GDP as the number of Palestinian workers working in Israel was drastically curtailed. The cumulative decline suggests a 17.7 per cent drop in GDP in 2001 with respect to 1999, and a 28.2 per cent fall in GNI per capita for the same period. In contrast, over the same period, real GDP in developing countries of the Middle East increased by 2.9 per cent. The magnitude of these falls in aggregate income and in per capita income available to workers and their families far exceeds crisis situations resulting from financial, economic or natural disasters. By way of comparison, during the 1997-98 financial crisis in Asia, real GDP declined in 1998 by an average of 8.2 per cent in the Republic of Korea, Malaysia and Thailand.

Table 3. Aggregate and per capita income, West Bank and Gaza

	1999	2000	2001	2001
	Average annual percentage change			(US$)
GDP				4 093 m
Real GDP growth	6.0	–6.5	–12.0	
1999 = 100	100.0	93.5	82.3	
GNI per capita				1 488
Real GNI per capita growth	2.2	–11.7	–18.7	
1999 = 100	100.0	88.3	71.8	

Source: PCBS and World Bank, 2002.

Severe drop in employment and declining real wages

26. Over 90 per cent of the population depends on some form of income from work in the occupied territories. Any fall in employment and/or in income from work immediately translates into reduced consumption and welfare.

27. The dominant characteristic of the labour market in the occupied territories is a working-age population that is rapidly growing at an annual rate of 5.1 per cent, in the face of dwindling employment opportunities in the more recent period. Total employment declined by close to 15 per cent in 2001 in comparison to 2000 (table 4). The decline in the West Bank and Gaza was 11 and 26 per cent, respectively. The major part of this decline is attributable to a 41 per cent drop in the employment of Palestinians working in Israel (28.4 per cent in the West Bank and 89.1 per cent in Gaza). In 2001 some 69,000 Palestinian workers worked in Israel, most of them without work permits. This represented half the number of Palestinian workers employed in Israel during the first three quarters of 2000. Employment within the occupied territories also declined in 2001 by 9 per cent. The level of employment dropped sharply in the last quarter of 2000 as a result of the closures, and then gradually picked up again as of the second quarter of 2001. In the last quarter of 2001, employment in the occupied territories was at 91 per cent of pre-intifada levels, 95.5 per cent in the West Bank and 82 per cent in Gaza. In Gaza, the Erez industrial zone, a closed military area, continued to provide employment to approximately 4,800 workers in April 2002 (up from 4,200 in 1999).

28. The loss in private sector employment has partly been compensated by an increase in public employment. The number of persons directly employed by the Palestinian Authority steadily increased throughout 2001, from 111,000 in the first quarter to 121,000 in the third quarter, accounting for over 23 per cent of total employment. Employment in aid agencies is also likely to have increased as operations shifted to more localized emergency and humanitarian assistance. Such employment is proving vital in maintaining some level of demand. Nevertheless, the employment to working-age population ratio has declined significantly. In 2001, three out of ten persons of working age were employed, compared to close to four out of ten in 2000. In view of the closures, not all employment recorded as such is full-time employment. Many days have not been worked owing to inability to reach the workplace. Another indication of the deteriorating quality of employment is the change in distribution of employment status, with an increase of 20 per cent in self-employment and a drop in wage employment. This shift points to an informalization of employment as persons who have lost wage employment seek to compensate for lost wage income with some form of self-employed activity, usually in petty trading (table 5).

Table 4. Labour market indicators

	2000				2001				Average annual	Estimate 2002
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% change	Q1
Occupied territories										
Population aged 15+ ('000)	1 646	1 663	1 689	1 703	1 725	1 759	1 772	1 796	5.2	1 820
Labour force ('000)	672	707	735	668	669	674	677	702	–2.2	693
Employment ('000)	598	645	661	479	489	515	506	518	–14.9	397
of which in Israel and settlements ('000)	131	144	146	44	71	74	63	68	–40.6	3
Unemployment ('000)	73	62	73	189	180	160	172	184	75.3	296
Labour force participation rate (%)	40.8	42.5	43.5	39.2	38.8	38.3	38.2	39.1	–7.0	38.1
Employment rate (%)	36.3	38.8	39.1	28.1	28.3	29.3	28.6	28.8	–19.2	21.8
Unemployment rate (%)	10.9	8.8	10.0	28.3	26.9	23.7	25.4	26.2	76.2	42.7
West Bank										
Population aged 15+ ('000)	1 090	1 100	1 117	1 124	1 139	1 160	1 169	1 183	5.0	–
Labour force ('000)	445	483	506	483	474	477	483	491	0.4	–
Employment ('000)	405	452	468	356	361	386	374	382	–10.6	–
of which in Israel and settlements ('000)	103	114	116	40	69	72	60	66	–28.4	–
Unemployment ('000)	40	31	38	127	113	91	109	109	78.8	–
Labour force participation rate (%)	40.8	43.9	45.3	43.0	41.6	41.1	41.3	41.5	–4.3	–
Employment rate (%)	37.2	41.1	41.9	31.7	31.7	33.3	32.0	32.3	–14.9	–
Unemployment rate (%)	9.0	6.4	7.5	26.3	23.8	19.1	22.6	22.2	78.2	–
Gaza Strip										
Population aged 15+ ('000)	556	563	572	578	586	599	603	613	5.8	–
Labour force ('000)	227	224	229	185	195	198	194	211	–7.7	–
Employment ('000)	193	193	193	123	122	129	132	136	–26.1	–
of which in Israel and settlements ('000)	29	30	30	3	3	2	3	2	–89.1	–
Unemployment ('000)	34	31	36	62	73	69	62	75	71.2	–
Labour force participation rate (%)	40.8	39.8	40.0	32.0	33.3	33.1	32.2	34.4	–12.9	–
Employment rate (%)	34.7	34.3	33.7	21.3	20.8	21.5	21.9	22.2	–30.3	–
Unemployment rate (%)	15.0	13.8	15.7	33.5	37.4	34.8	32.0	35.5	79.1	–

Q1: first quarter, etc.

Source: PCBS and ILO estimates.

Table 5. Employment by status in employment (percentages)

	2000		2001		2001/2000
	Q3	Q4	Q3	Q4	% change
Wage employed	67.7	59.3	62.6	60.5	–5.2
Self-employed/employer	23.4	27.7	28.1	30.3	20.1
Unpaid family worker	8.9	13.0	9.3	9.2	–6.8
Total	100.0	100.0	100.0	100.0	

Q3: third quarter, etc.

Source: PCBS labour force survey.

29. Open unemployment has followed the same pattern. Unemployment increased by 159 per cent in the fourth quarter of 2000, to 28.3 per cent, followed by a slight decline to 26.2 per cent in the fourth quarter of 2001 (table 4). Unemployment has traditionally been higher in Gaza (35.5 per cent in the fourth quarter of 2001) than in the West Bank (22.2 per cent). Youth unemployment is particularly high, at 45 per cent in Gaza (20-24 year-olds) in the last quarter of 2001, and 33.0 per cent in the West Bank. It is noteworthy that unemployment does not account for all of the decline in the level of employment. The labour force participation rate dropped in 2001 by 7 per cent (4.3 per cent in the West Bank and 13 per cent in Gaza), indicating disguised unemployment of persons who have withdrawn from the labour force. The decline in labour force participation is observed for both men and women, although it has been more pronounced for men than for women, in view of the latter's very low rate of labour force participation in the occupied territories (table 6). An increase in income-generating activities, not recorded as employment, on the part of women in order to sustain their families cannot be excluded.

Table 6. Labour force indicators by sex (percentages)

	2000			2001		
	Male	Female	Total	Male	Female	Total
Population aged 15+	50.1	49.9	100.0	50.0	50.0	100.0
Labour force	84.6	15.4	100.0	86.1	13.9	100.0
Not in the labour force	25.6	74.4	100.0	27.6	72.4	100.0
Labour force participation rate	70.1	12.8	41.5	66.0	10.6	38.3
Employment to population ratio	60.1	11.1	35.6	48.7	8.9	28.8

Source: PCBS labour force survey.

30. Using a relaxed definition of unemployment, PCBS estimates unemployment at 35.5 per cent in the fourth quarter of 2001. Given the total absence of any unemployment benefit scheme within the occupied territories, a person who loses his or her job is by the same token deprived of any form of income, and seeks to compensate by resorting to any accumulated savings.

31. As the crisis escalated in the first quarter of 2002, employment is likely to have declined further, and open unemployment increased. No official data have been published to date owing to the conflict situation. A preliminary ILO estimate suggests that unemployment could have reached 42.7 per cent in the occupied territories during the first quarter (January-March) of 2002. This assumes no change in the level of public employment, a further drop in the labour force participation rate of 1 percentage point, and a 50 per cent drop in private-sector employment within the territories. The military incursion launched on 28 March 2002 is likely to have pushed unemployment up even further. No estimate of unemployment is suggested for the period April-June 2002, in view of the fact that the basic assumptions about the functioning of a labour market underpinning the very notions of employment and unemployment no longer hold. Persons under curfew and whose movements are severely constrained simply do not know whether they will be able to return to their previous job or whether it will still be available. Thus, most of the adjustment in the labour market is likely to have taken place through a reduction in worker and family income owing to the sharply reduced number of days worked.

Child labour

32. In the last quarter of 2001, 0.5 per cent of the population aged 10-14 years, or 2,107 children, were found to be active in the labour force. According to the PCBS labour force survey, in 2000 the labour force participation rate of the population aged 10-17 years was 5.5 per cent. This suggests a steep increase in labour force participation in the 15-17 year-age group. The closures have seriously impaired the functioning of schools in the occupied territories, owing to the lack of freedom of movement of teachers and children, as well as physical damage to school buildings. Prior to the intifada, net school enrolment rates were comparatively high in the occupied territories (97 per cent for primary education in 1998). The incidence of child labour is likely to have increased as impoverished families seek all possible means of adding to household income.

Declining real wages

33. Table 7 presents information on the trend in real wages of Palestinian workers in the West Bank, Gaza and Israel. Real wage trends reflect movements both in the price of labour and in consumer prices. During 2000 and 2001, the consumer price index (CPI) compiled by the PCBS shows little price inflation up to the third quarter of 2001, with a slight acceleration in the last quarter of 2001

of 1.64 per cent over the first quarter of 2000. In spite of the crisis situation, price inflation has been relatively subdued, with the exception of the more recent months in the West Bank. That no sustained impact on prices has been registered in the period under review can be attributed to the combined fall in both supply and in demand. Between February 2001 and February 2002, the CPI rose by 3.52 per cent (0.67 per cent in Gaza and 4.62 per cent in the West Bank), with housing, transport and education showing above average increases. These increases reflect constraints on both supply and demand in the context of the closures. The CPI in Gaza shows a decline of some 3 per cent in 2001 compared to 2000, whereas the opposite is observed in the West Bank, with a rise of 3.8 per cent in the last quarter of 2001 with respect to the first quarter of 2000.

Table 7. Real daily wages in new Israeli shekels (NIS)

	2000				2001			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
West Bank	61.50	66.30	64.00	61.70	59.40	59.90	56.50	55.60
Gaza	48.10	48.10	47.30	54.90	50.80	50.50	51.60	51.50
Israel	108.60	111.50	110.80	111.40	105.50	108.60	106.10	108.60
CPI (average) 2000/Q1 = 100	100.00	99.45	99.01	99.68	100.24	100.63	100.49	101.64

Nominal wages in NIS deflated by quarterly CPI for the respective areas. Q1: first quarter, etc.

Source: PCBS labour force survey and consumer price survey.

34. Real wages declined by 9.9 per cent in the West Bank (last quarter of 2001 compared to the last quarter of 2000), by 6.2 per cent in Gaza (although average wages in 2001 are higher than in 2000) and by 2.5 per cent for Palestinian workers working in Israel (possibly reflecting the effect of work without a permit).

Poverty and social protection

Rapid rise in poverty

35. The direct consequence of the fall in employment and income has been a sharp and rapid increase in the incidence of poverty, which is measured in terms of the percentage of the population living on less than US$2.1 per day (table 8). The incidence of poverty increased from 23.2 per cent in 1998 to 33 per cent in 2000, to 46 per cent in 2001 and possibly as much as 62 per cent in 2002. The population living in poverty was estimated at 674,000 in 1998 and 1,511,000 in 2001, a more than twofold increase (124 per cent). A PCBS survey

for 2001 indicates that in the first quarter of 2001 close to half of all families had to face a 50 per cent drop in their income from work, mostly due to workdays not worked.

Table 8. Poverty incidence (percentage of population)

	1998	2000	2001	2002 (estimate)
West Bank	15.4	–	–	–
Gaza	37.2	–	–	–
Occupied territories	23.2	33.0	46.0	62.0
Number of poor ('000)	674.0	–	1 511.0	–

Source: World Bank, 2001 and 2002.

Coping strategies

36. Except in health services and schools heavily subsidized by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and donors, no social protection safety net is available for Palestinians in the occupied territories. Coping strategies in response to the crisis are largely based on individual and family measures. A number of necessarily limited institutional programmes have been put in place by or through the donor community.

37. Health services have by and large continued to function, in spite of the difficulties linked to restrictions on movement (including that of ambulances) and heightened demand for emergency assistance. Governmental services, as well as donor-funded and private services, provide health insurance to approximately 60 per cent of the population. A PCBS survey of 2000 estimates that 48.2 per cent of the population in the West Bank and 24.4 per cent in Gaza is without any type of health insurance (table 9).

Table 9. Distribution of persons covered by type of health insurance, 2000 (percentage)

	Type of health insurance						
	Governmental	Military	UNRWA	Social security insurance	Private	Without insurance	Total population
West Bank	22.3	1.4	9.4	1.6	17.1	48.2	1 992 105
Gaza	37.9	6.9	24.2	6.3	0.3	24.4	1 125 185
Palestinian territories	27.9	3.4	14.8	3.3	11.0	39.6	3 117 290

Source: PCBS.

38. As a result of the drastic fall in the availability of employment, Palestinian workers with accumulated social security entitlements in the National Insurance Institute of Israel have increasingly opted to collect their contributions in the form of a lump-sum payment. In 2001 some 40,000 workers chose to do so, against only 7,000 in 2000. A similar upward trend is observed for the first months of 2002. This more than fivefold increase can be interpreted as a distress measure to finance immediate needs. In opting for the lump sum, workers relinquish any future rights.

39. An UNSCO-sponsored study has investigated the coping strategies of families in two cities and two villages in Gaza and the West Bank (UNSCO, 2002). The study confirms that closure, which reduces the area of movement of goods and persons, places considerable strains on daily life. Gaza is more affected by restrictions on access to external labour and goods markets, whereas in the West Bank the consequences of internal closures predominate. In both areas families have decreased consumption, first of non-essentials followed by food consumption, have stopped paying utility bills, and rely more on credit and informal loans, on solidarity, including emergency international aid, and on the sale of personal assets. Many families, and women in particular, have returned to small-plot agriculture in order to cultivate some essentials. Import-substitution activities are also common. The extent of closure has varied from area to area, but the longer the closure the more dire the consequences. In this sense, the military incursion of 28 March 2002, which continued until the time this report was drafted, has implied a higher degree of closure, and hence of hardship.

Employment programmes and emergency assistance

40. Several donors, such as the World Bank, the United Nations Development Programme (UNDP) and UNRWA, have implemented emergency employment programmes in various forms. However, employment on construction sites has been hampered by access problems and by reduced provisioning of basic inputs, mainly cement. In other instances, donors have resorted to paying salaries of emergency staff employed in humanitarian assistance and health services.

41. The Palestine General Federation of Trade Unions (PGFTU) in Gaza has instituted a system of solidarity between workers who are still employed and being paid and the unemployed. In the West Bank the PGFTU has facilitated access of its members to special emergency employment programmes carried out by the municipality.

Human rights and rights at work

42. Violations of human rights in Israel and in the occupied territories have been extensively documented in previous reports of the Director-General,

through direct observation by the mission and in a number of recent reports. The latter include the Report of the Special Rapporteur of the Commission on Human Rights (United Nations, 2002), the United States Department of State country report on human rights practices (United States Department of State, 2001), the Amnesty International report on Israel and the occupied territories (Amnesty International, 2002), and various reports and statements by Human Rights Watch in April and May 2002. The International Confederation of Arab Trade Unions (ICATU) has also submitted a report to the ILO. These reports and the direct observations made by the ILO mission concur on the following points.

Casualties

43. Between 29 September 2000 and 20 April 2002, the conflict claimed lives of 1,619 persons, both Israelis and Palestinians, 76.5 per cent of whom were civilians (B'Tselem, 2002a). Several tens of thousands, again mostly civilians, have been injured to varying degrees, many of them permanently maimed. Countless others, including children, have been subjected to severe emotional stress. For the most part, the civilian victims were at work or on their way to or from work.

Restricted freedom of movement

44. Closures have severely restricted freedom of movement of persons, including workers and employers in all occupations. In some cities extended curfews have been imposed, leaving only a few hours per week available to shop for essential food. In the Israeli-controlled area of Hebron, the approximately 30,000 Palestinian residents were placed under near-total curfew during 143 days in 2001, while the approximately 400 Jewish settlers living in the area faced no such restrictions (United States Department of State, 2001). Ill-treatment of Palestinians by members of the Israel Defense Forces (IDF) at military checkpoints has been extensively documented (all four reports mentioned above refer to this situation, and the ILO mission has been an eyewitness to such scenes). For many Palestinians daily life involves spending long hours queuing at military checkpoints, in which passage is subject to changing rules, often with verbal and even physical abuse. Trade union meetings, as well as meetings of employers' organizations, have also been disrupted by the restrictions on the movement of persons within the occupied territories.

Looting of private property

45. Converging reports suggest that during the more recent military incursion and curfew imposed on most towns in the West Bank, IDF soldiers

have stolen assets in the form of cash savings, jewellery and other valuables from private homes. These are more than isolated occurrences, to the point that "ugly phenomena of vandalism" have been acknowledged by the IDF (*Ha'aretz*, 2002). The Democracy and Workers' Rights Centre is currently examining 85 complaints of stolen property by persons in Ramallah alone. These reports have been echoed in other towns. Such behaviour has further depleted savings of working families at a time when these represent the only resources still available.

46. The Federation of Palestinian Chambers of Commerce, Industry and Agriculture has also reported on damage and destruction of machinery and equipment in private businesses and looting of merchandise and supplies.

Demolition of homes

47. Several hundred houses have been demolished by the IDF because of suspected links with terrorist activities or for security reasons, large areas of agricultural land have been rendered unfit for cultivation, and olive and fruit trees uprooted. A large number of families have thus been left homeless and their future livelihood endangered. In Gaza over 600 houses were demolished in the course of 2001, leaving over 5,000 persons homeless (B'Tselem, 2002b). UNRWA provides temporary accommodation. In the Jenin refugee camp over 4,000 persons were made homeless following the military incursion of 3 April 2002, which left at least 140 buildings completely destroyed and some 200 others severely damaged.

Land for settlements

48. The number of Israeli settlements in the occupied territories, excluding East Jerusalem, increased in 2001 by 24.6 per cent. The settler population increased by 5.9 per cent in 2001, after an increase of 7.9 per cent in 2000 (table 10), well over the 2.6 per cent increase in Israel's population. Appropriation of land in the occupied territories for settler housing, special access roads, security purposes and agricultural use comes at the expense of the employment and social welfare of the Palestinian population. The Mitchell Committee report (Sharm el-Sheikh Fact-Finding Committee, 2001) had recommended a freeze on construction of new settlements in the West Bank and Gaza, including a freeze on "natural growth", that is the extension of existing settlements. The settler population in East Jerusalem is estimated at 200,000.

Table 10. Israeli settlements in the occupied territories

	2000				2001			
	Gaza	West Bank	Total	Growth (%)	Gaza	West Bank	Total	Growth (%)
Settlements	16.0	122.0	138.0	–	–	–	172	24.6
Population ('000)	6.7	191.6	198.3	7.9	–	–	213-[1] 207[2]	5.9[3]

[1] *Le Monde* estimate. [2] *The Economist* estimate. [3] Based on average of both estimates.

Sources: Central Bureau of Statistics, 2002, tables 2.5 and 2.7; *The Economist*, 2002; *Le Monde*, 2002; Americans for Peace Now, 2002.

49. Numerous incidents have been recorded opposing Palestinians and Jewish settlers within the occupied territories, often resulting in loss of life.

The Arab population of the Golan [2]

50. The Arab population in the Golan totalled approximately 17,000 persons in 2001. Some 70 per cent of the labour force is employed in agriculture. The settler population is estimated at some 16,000 persons, and settlement continues to be actively encouraged. Arab workers and farmers face discrimination and unfair competition, as observed by the ILO mission in discussions held in the Golan and in the Syrian Arab Republic, and also as reported by the Arab Labour Organization (2002). This situation has been reported fully in previous reports, and the mission was informed this year that the situation had deteriorated. Access to water for irrigation is limited for the Arab workers, thereby reducing agricultural output. It is alleged that water is diverted from Arab farmers directly to Israel. Heavy taxes are levied on the use of water, agricultural land, produce and transportation. The land available for cultivation and for housing is progressively reduced through confiscation for military or settlement purposes. Access to markets for the local produce (mainly

[2] The position of the Israeli Government regarding the Golan was stated in the following terms: "The ILO mission is meant to collect material for the Director-General's report on the occupied Arab territories. It is the position of the Government of Israel that the Golan, to which Israeli law, jurisdiction and administration have been applied, is not now such an area. In view of this consideration, approval for a visit of the ILO mission to the Golan was given as a gesture of goodwill and without prejudice. The decision to facilitate such an informal visit shall not serve as a precedent and does not contravene the Israeli Government's position."

apples) has been affected by the closure in the West Bank, resulting in lower prices and income. Alternative employment opportunities for Arab workers in Israel are limited. Access to higher-skilled professions is severely limited for the members of the Arab population who manage to acquire an education and qualifications despite the severe obstacles placed in their way. University graduates are often unable to find employment commensurate with their qualifications. Many families remain divided since the 1967 war, and authorization to travel to visit relatives is not readily granted.

Security and the Israeli economy

Three crises in one

51. Indicators of economic activity in Israel showed a severe contraction during 2001. GDP declined by 0.6 per cent during 2001 after an increase of 6.4 per cent in 2000 (table 11). The contraction of GDP, particularly in the business sector, intensified in the second half of 2001 (Bank of Israel, 2002). The Israeli economy has been seriously affected by three economic shocks: the slowdown in the world economy in the second half of 2000; the deterioration of the security situation in relation to the intifada outbreak of September 2000; and the aftermath of 11 September 2001. The high-tech industries have been most affected by declining activity in the United States economy, followed by a 50 per cent drop in tourist arrivals in 2001 as a result of 11 September and the worsening internal security situation. Activity in the construction sector has been severely disrupted by the sudden withdrawal of some 55,000 Palestinian workers, as well as falling domestic demand and public investment. These cumulative shocks spread to the entire economy in 2001 and led to the sharp drop in GDP. The slowdown carries with it further constraints. Tax revenues fell sharply in 2001, with a budget deficit of 4.6 per cent compared to a target of 1.8 per cent.

52. Unemployment rose continuously throughout 2001, from 8.1 per cent in the first quarter to 10.5 per cent in the last quarter, equivalent to 267,000 persons. Higher unemployment does not capture fully the adjustment of the labour market, as labour input measured in work-hours of employed persons grew only 0.5 per cent in 2001 compared with 5.0 per cent in 2000. Average weekly hours of work declined by 2.4 per cent in 2001 compared to 2000. Some 30,000 reservists were called into active duty in the first quarter of 2002, with possible adverse effects on business activities.

Table 11. The Israeli economy: Macroeconomic indicators and forecasts

	Unit	Estimates		Forecasts
		2000	2001	2002
GDP	US$ bn	112.4	107.8	109.0
GDP per capita	US$	17 648	16 564	16 749
Change in real GDP	%	6.4	–0.6	0.8
Unemployment rate (average)	%	8.8	8.9	10.2
Consumer price inflation (average)	%	1.1	1.1	4.6
General government budget balance	% GDP	–0.6	–4.6	–5.0
Current account balance	US$ bn	–1.4	–1.7	–1.6
as a % of GDP	%	–1.3	–1.6	–1.5

Source: UBS Warburg, 2002.

53. It is not easy to disentangle the respective effects of these three shocks on the Israeli economy, as they may be cumulative. The Government of Israel has estimated the consequences of the intifada on the economy at a 3 per cent loss in the business product for 2001, and an additional three-quarters of a percentage point to the rate of unemployment. The three sectors most severely affected are tourism, construction and agriculture. The Israel Hotel Association estimates that direct income from tourism services dropped by 53 per cent in 2001, compared to 2000. In 2000 tourism services contributed 8.2 per cent of GDP against only 5.9 per cent in 2001. In construction and agriculture, the 92 per cent drop in the number of Palestinian workers has been only partly compensated by an increase of 30,000 foreign workers. Israeli exports to the occupied territories, estimated at 7 per cent of total merchandise exports, fell by 50 per cent in the course of 2001. Private consumption was sluggish throughout 2001, and declined sharply in the fourth quarter of 2001, by an estimated 5.3 per cent.

The cost of uncertainty

54. The security situation and the military operations launched on 28 March 2002 increase uncertainty for the future. This translates into reduced investors' confidence, both domestic and foreign. The Federation of Israeli Chambers of Commerce estimates that foreign investment dropped by 55 per cent during the first quarter of 2002 with respect to 2001. The Manufacturers' Association of Israel sees further threats to trade agreements with the European

Union, reduced credit insurance on exports to Israel and looming economic sanctions as a result of the recent political developments. Higher government spending, particularly in defence and unemployment benefits, and lower revenue collection (by 5.1 per cent for the first quarter of 2002), increases the need for further fiscal adjustments. On 29 April 2002, the Israeli Cabinet approved an emergency economic package comprising both a NIS13 billion cut in spending and a NIS3 billion increase in taxes in order to meet a fiscal deficit target of 3.9 per cent in 2002.

55. This situation has led to a downgrading of Israel's rating outlook by the international agency Standard and Poor's on 11 April 2002 from "stable" to "negative" (Standard and Poor's, 2002). In the face of the exacerbation of the security situation in the first quarter of 2002, the Bank of Israel forecasts continued negative growth in 2002, with a further contraction in GDP, higher unemployment and inflation and a widening balance-of-payments deficit (*Jerusalem Post*, 2002). A further expression of the effects of the security situation on the economy is the recent acceleration in the depreciation of the shekel.

II. Options for the future

56. The present situation is one of deadlock. This arises when one side is reluctant to make the first step without being assured that the other will reciprocate positively. The Israeli incursions "aim at the infrastructure, systematically destroying the private sector, the hopes of the people in order to deport them", the mission was told by Palestinian interlocutors. The characterization most often heard was that the Israeli forces had massively overreacted under the pretext of fighting terrorism. Young Palestinians "queue up for suicide – hundreds of them – they have no prospects". Their only aim is to become a martyr. On the Israeli side: "We are afraid. Although we prefer neighbouring Palestinian workers as compared to foreign workers, we cannot tolerate terrorist attacks killing innocent people. In a democratic society, the Government must take account of people's fears and protect them."

57. There is very little optimism in these times of acute crisis, marred by violence and destruction. But there is still some hope. In order to transform this hope into optimism, people need to be able to assess more positively the likelihood that hopes can become reality. Both sides have stressed to the ILO mission the urgent need of investing in trust and trust-building initiatives.

The present situation

58. In March 2002, just before the ILO mission began, the World Bank (2002) presented an economic outlook for 2002-03 for the West Bank and Gaza, based on three possible scenarios: a Status Quo scenario, an optimistic Lifting of

Closure scenario, and a pessimistic Tightened Closure scenario. Status quo refers to the situation before the March/April events; latest data reported were from December 2001. "The third scenario assumes harsher closure, with armed confrontation resulting in considerable additional physical damage and heavy disruption of trade and movement, along with a virtual closing off of any labour access to Israel and the settlements. Donor budget support would continue at projected levels and there would be no payment of tax revenues due the PA by Israel" (World Bank, 2002, p. 74). Obviously, this third scenario has become reality now, although the data provided by the Bank in March to describe the macroeconomic trends for the West Bank and Gaza could not exactly predict the facts after the incursions of April-May 2002.

59. The longer the Tightened Closure scenario persists, the more both the Palestinian and Israeli economies will suffer, as described in this report. With the virtual breakdown of the private sector in the West Bank and Gaza and the rapidly diminishing resources available to Palestinian families to cope with the crisis, assistance by the donor community is shifting to emergency humanitarian aid and thus from investment to current consumption. To prevent the Palestinian Authority (PA) from collapsing, donors have continued to finance its payroll, thus keeping up one of the most important sources of family incomes. Obviously this scenario is not sustainable.

60. In Israel, where the confrontation is perceived as war, the cost of the conflict is appraised with great concern. "We see no light at the end of the tunnel", the mission was told by leading Israeli employers' representatives.

Immediate priorities for a different future

Box 1. Voices of hope

On both sides, personalities with a vision of hope for the future have highlighted to the ILO mission:

- the Palestinian people's desire to establish an independent State;
- the Israeli people's desire for real peace;
- the need for a culture of peace, together in partnership with the Arab world;
- the importance of bringing up a new generation, "to reach the young people, tell them the truth and give them hope through offering values they might like to live for: freedom, identity, marriage, passport, work" and then "let them fly!";
- the need to enhance democratic institutions and accountability.

Key to the above:

- creating a "non-violent" culture of resistance;
- changing the type of political discourse through dialogue for a new climate of trust and hope;
- public opinion for peace on both sides.

61. In the very short term, crisis management is inevitable. The first step is to provide humanitarian aid to alleviate poverty, re-establish a functioning Palestinian Authority and reconstruct physical damage.

62. At a recent meeting of donors, there was agreement "on the pressing importance of re-establishing the security and welfare for both the Israelis and the Palestinians, and on the urgent need for both parties to step away from the brink and return to a path of peaceful negotiations of their differences" (Ad Hoc Liaison Committee, 2002). There was broad support among donors for a three-pronged approach combining political, security and economic tracks. Consensus also emerged that economic improvement is dependent on an easing of closures; that in addition to the humanitarian crisis response attention should be given to longer term developmental priorities; and that priority should be given to rebuilding PA institutions.

Employment

63. Demographic and labour force trends make for a dramatic challenge. The population in the occupied territories is very young: 46.8 per cent were 14 years of age or less in 2000. By implication, the labour force is set to grow rapidly, at an estimated rate of over 5 per cent per year, fuelled by rapid demographic growth and by higher rates of labour force participation, particularly that of women, which is likely to rise from a low level. From 702,000 in 2001, the labour force could increase to nearly 1,108,000 in 2010. This implies over 45,000 new entrants per year in search of gainful employment. In order to absorb labour force growth and reduce present high unemployment levels, employment would have to grow by at least 6.5 per cent per year. This represents a daunting task.

64. The key issue is employment in the private sector. During the 1990s, the private sector in the West Bank and Gaza performed only moderately. On the other hand, employment in the Palestinian Authority has grown rapidly, reaching a ratio of 39 employees per 1,000 inhabitants. Before the second intifada, jobs in Israel offered secure incomes to over 150,000 Palestinian workers and their families. According to some estimates, the Israeli labour market could absorb up to twice that number of Palestinian workers. Such estimates are uncertain, however.

65. Social integration arguments speak in favour of this: cultural affinity, language and proximity. Many low-skilled jobs are spurned by Israeli workers. There is a clear preference for Palestinian over other foreign workers, according to the Israeli Minister of Labour and Social Affairs, a representative of the Ministry of Agriculture and representatives of the Manufacturers' Association of Israel; it is often pointed out that "Palestinian workers are qualified, skilled and responsible". The Palestinian Ministers of Labour and of Economy and Trade favour reopening the Israeli labour market. "It is not our choice, but the workers need those jobs" is the position of the Palestine General Federation of Trade

Unions (PGFTU). Certainly, immigrants from other countries have already stepped into a large proportion of the jobs previously held by Palestinian workers – both by deliberate policy and as a result of security fears that are not likely to disappear in the near future. Exporting Palestinian labour to other countries (for example, European and Arab countries) is considered a complementary strategy for a limited time and a limited number of workers, although the possibility of opening these labour markets is not at all certain. Arab countries have their own labour market problems and hence a limited absorption capacity. Several partners highlighted the need for bilateral or multilateral agreements on migrant workers with these countries, and they might wish the ILO to be instrumental in providing a framework for such agreements.

66. Consequently, boosting employment in the Palestinian internal labour market is the top priority. There is a tremendous amount of unused professional capacity at the local level, with human and social capital that can easily be mobilized if conditions for renewed economic activity are met. This is a valuable asset which is clearly perceived by the Governor of Gaza and the Mayor of Nablus, and is also publicly recognized by the Israeli authorities and the international community.

67. The condition for this is an easing of closures. Without a lifting of closures, no genuine economic activity can resume. As a first step, the Palestinian Minister of Economy and Trade recommends assisting micro-activities to meet basic needs (milk, garments, etc.) with a revolving microcredit fund to finance investment (a cow, a sewing machine, etc.). Construction could take the lead for some time, given the need for rebuilding houses and repairing infrastructure with international assistance. Priority should be given to support for small enterprises and agricultural production, in particular marketing cooperatives. Vocational training and higher education in fields of particular practical relevance score high on the priority lists of the ILO's constituents. Owing to dramatic cash-flow decreases since the beginning of the second intifada, which have been aggravated during the last few months, existing enterprises need emergency assistance to restart and avoid bankruptcy. Support to employment and job opportunities in micro- and small-scale activities through local and central institutions goes in parallel with other strategies. Both the Israeli Government and the Palestinian Authority consider that industrial zones offer a promising perspective for cooperation in employment and investment. Industrial zones such as the one at Erez (between Gaza and Israel) are encouraging examples, provided basic workers' rights are respected. The industrial zone of Jenin before the latest events is another example. Others could follow. Cooperation with non-governmental organizations (NGOs) (for example in Jenin with the Friedrich Ebert Foundation) can help improve working conditions.

68. Employment and labour market policy should target women and young workers. Gender mainstreaming is required in view of the extremely low female labour force participation rate, which has dropped even further during the

second intifada. Gainful employment opportunities for youth are imperative if the rapidly increasing new generation of young workers are to have prospects for the future. This means building youth and women's employment into priorities. There are encouraging examples of NGO and donor assistance in vocational training. Priorities for occupational training for both young women and men can be identified in cooperation with the ILO's constituents.

Social protection

69. The rapid rise in poverty is due to the economic shock of the closures. It is also explained by the absence of a social security system for workers and their families. Families' coping strategies are not enough, even with the resurgence of a subsistence economy. This means that most families need aid. Many organizations, from NGOs to charitable organizations, political parties, the PA and international donors, are providing emergency assistance in one form or another. The data in box 2 illustrate the problem.

Box 2. Emergency assistance: Some statistics

- 48.1 per cent of families have received aid assistance (West Bank: 35.1 per cent; Gaza: 71 per cent);
- 30.8 per cent of families need assistance and did not receive any;
- 59.1 per cent of the families that received aid were given less than US$25;
- 78.7 per cent of the aid assistance was given in the form of nutrition, 20.5 per cent in cash and 0.8 per cent in the form of clothes, medicine, etc.

Source: Ministry of Labour, 2002.

70. Assistance to families needs to be continued and increased in the near future. However, beyond immediate needs, the establishment of a social security system must be considered a priority. The 1994 Paris Protocol on Economic Relations provided that "Israel will transfer, on a monthly basis, to a relevant pension insurance institution to be established by the Palestinian Authority, pension insurance deductions collected after the establishment of the above institution" (Paris Protocol, 1994, Article VII, paragraph 4). This is still in force but has never been implemented. The social security rights of Palestinian workers who have worked or are still working in Israel could form a basis for the establishment of a Palestinian social security system.

Social dialogue

71. Is dialogue still considered an option? "I do not know. I do not trust them any more. What they did is not easy to forget", the Mayor of Nablus answered. Obviously, an Israeli answer might express the same sentiment. Nevertheless, some low-profile contacts still exist. The ILO mission was often told: "If the situation changes, dialogue might start again." To create a culture of peace it is necessary to change the attitudes towards dialogue among many actors at different levels. The ILO can contribute to social dialogue among the social partners and between them and governments, and other partners in development. Capacity building of both workers' and employers' organizations for social dialogue is necessary. The PGFTU has made several proposals in this regard. Employers' and workers' organizations need to be further strengthened in terms of democratic accountability and in terms of their technical capacity to service their members' needs.

Box 3. Urgent need for democratic governance and prospects for a better life

"If we fail to democratize our society, workers' organizations and political parties will fail to achieve independence. Now is really the moment to say openly that we need to strengthen our workers' organizations. It is an open door. We need workers to be trained at their workplaces and to fully participate in their unions," says an official of a Palestinian NGO defending the rights of the workers in Israel and in the territories. "When the people are fully contributing to social progress, they are admitted to the social clubs, workers' and employers' organizations, women's associations at the grass-roots level; when they feel part of a process and when the feeling of citizenship is strengthened, democracy is reinforced. The people that are willing to work together to make their life better will exert pressure on the PA. Israel has shown no interest in a democratic Palestine, instead it seems that all Palestinian workers and PA authorities were the targets of the incursions."

He went on to point out that: "You can't possibly imagine that in a family of six to seven persons that live in the same place, talking about the same issue all day long, you can't avoid a general sense of frustration and insecurity and a growing feeling of despair and potential for confrontation. I tell my wife to switch off the TV so that the kids do not see constantly the same images of violence and death. The other day I was telling a seven year-old boy to move away from the place as it was becoming dangerous with the arrival of the Israeli Army. 'Go to school or go home, don't stay here. Do you want to die?' I told him. He replied: 'why do you think I am here?'"

72. Social dialogue is even more necessary in periods of conflict. It is urgently needed to change attitudes in order to make social and economic change possible.

73. On the three critical issues mentioned above – employment, social protection and social dialogue, the ILO can contribute usefully beyond present programmes, either directly with the relevant tripartite constituents or in

cooperation with other international organizations and donor countries. Urgent decisions should be taken on priority initiatives.

III. FUTURE ILO TECHNICAL COOPERATION

The context of development assistance in the occupied territories

74. With the September 2000 uprising and the subsequent socio-economic crisis, followed by the closures, the Ministry of Planning and International Cooperation (MOPIC) of the Palestinian Authority decided to reassess its 1999 Palestinian Development Plan (PDP) (1999-2003) and, in consultation with the donor community, prepared an Immediate and Short-Term Action Plan in January 2001, which focused on the following aspects: (a) human and social; (b) economic; and (c) Palestinian counter-actions (in particular the establishment of action committees at the local level) to cope with local needs.

75. In 2002, with the Tightened Closure scenario laid out in the World Bank's recent economic assessment having become a reality (World Bank, 2002), the focus has shifted to two complementary priorities: (a) immediate humanitarian assistance and repairs; and (b) getting basic infrastructure and institutions back up and running (Informal Donor Meeting, 2002). Damage inventories carried out on a regional basis have been initiated by the PA and the donors for all towns and villages that have been subject to the military incursions since 1 March 2002.

76. A support group consisting of PA officials and UNSCO, UNDP, World Bank and USAID staff has been set up to determine what financial support the donors would need to provide against the damage inventories once these are finalized.

77. The UNDP and the World Bank jointly coordinate the logistical and technical support to line ministries of the PA supported by UNICEF, USAID, UNRWA and the World Food Programme (WFP), in close collaboration with the functioning sectoral groups in such areas as energy, water, health or private sector.

78. An informal Ad Hoc Liaison Committee, chaired by Norway, met in Oslo on 25 April 2002 with the participation of 15 donors and international institutions, including the World Bank and the Islamic Development Bank, with Israel and the Palestinian Authority participating as guests during the first part of the meeting (Ad Hoc Liaison Committee, 2002).

79. The World Bank's economic assessment before the Oslo meeting "proposed a strategy for exiting the crisis, the main features of which should include increased budgetary support to the PA and municipalities, targeted assistance to key social service institutions including UNRWA, support for the private sector, and assistance towards the poor and unemployed" (ibid.). [3]

80. Initial assessments of the cost of humanitarian, infrastructure and institutional damage suggest a total requirement of more than US$400 million. Including other pressing needs, donor assistance for 2002 is estimated at US$2 billion. Of this, donors have pledged to disburse US$1.2 billion during 2002. (Informal Donor Meeting, 2002).

Current ILO support

81. In a letter to the Israeli Ambassador in Geneva dated 8 November 2000, the Director-General already stressed the urgent need to find ways of alleviating the plight of large numbers of Palestinian workers unable to reach their usual workplaces in Israel. In a press release of 24 November 2000, he warned of an "evolving humanitarian crisis in the Palestinian territories resulting from the closure of frontiers, the explosive growth of unemployment and the inability of many workers to meet their families' basic needs". In November 2000 and January 2001, respectively, the Director-General met in Geneva with the Minister of Labour of the Palestinian Authority and the President of the Federation of Palestinian Chambers of Commerce, Industry and Agriculture, and the General-Secretary of the PGFTU regarding the impact of the second intifada on the Palestinian workers and the subsequent crisis of Israeli-Palestinian relations.

82. In February 2000, the ILO fielded a multidisciplinary mission to review the situation of the technical cooperation programme in the West Bank and Gaza and to explore opportunities for funding with both the Palestinians and donors present on site. Another mission visited the West Bank and Gaza from 12 to 15 March 2001, as indicated in the report to the Conference last year (ILO, 2001). The mission returned with a list of technical cooperation project proposals responding to the needs of the Palestinians at the time, for which the Office worked to secure extra-budgetary and regular budget funding. [4] Technical cooperation activities have been implemented throughout August 2001. In

[3] See s. II. It should be noted that USAID is taking the lead, together with the Palestinian Ministry of Economy and Trade, for the assessment of the private-sector needs.

[4] See Annex II to this report.

September 2001 the situation changed dramatically and most of the ILO's technical cooperation activities were stopped.

83. The ILO programme of assistance has so far achieved the following:

(a) the Sheikh Khalifa Ben Zayed Vocational Rehabilitation Center in Nablus funded by the United Arab Emirates, which has trained more than 200 disabled persons. Most of them have found gainfui employment in the local labour market;

(b) the establishment of 17 employment offices in the areas administered by the PA, with training for the staff on data collection and labour market information for the use of different end-users; central and local employment councils and Task Forces established in Gaza and in the West Bank working effectively with the General Directorate of Planning and Information of the Ministry of Labour;

(c) more than 300 women trained both in the West Bank and outside by the Turin Centre in a project aimed at improving the socio-economic status of Palestinian women;

(d) assistance to the Palestinian Central Bureau of Statistics (PCBS), whose technical competence is recognized;

(e) support provided to the Chambers of Commerce to strengthen their technical skills;

(f) support to the PGFTU, which is able, despite the present circumstances, to deliver services and training to the workers;

(g) training delivered to 110 small contractors in collaboration with a number of PA institutions such as the Palestinian Economic Council for Development and Reconstruction (PECDAR), the Ministry of Labour, MOPIC, the Ministry of Public Works and the Palestinian Contractors' Union, as well as universities; and

(h) a preliminary study carried out in order to provide technical services to the Palestinian Authority for the design of a social security scheme for private-sector workers employed in the West Bank and Gaza, and to address the particular social protection concerns of the Palestinian workers employed in Israel (ILO, 2000, pages 12-13 and 31).

84. Central and local government institutions have been seriously weakened by the recent military incursions. Nevertheless, the municipalities have responded quickly and as far as possible to the pressing needs of the population. The employers' and workers' organizations (the PGFTU and the local Chambers of Commerce) have also substantially contributed to alleviating the suffering of the populations.

85. Considerable resources have been invested in recent years for capacity building of the social partners. These efforts need to be pursued.

An enhanced ILO programme of technical cooperation

86. The present situation calls for both immediate action and the development of an enhanced programme of ILO technical cooperation. The main thrust of the ILO's assistance would be to support the reconstruction efforts and contribute to capacity building of the institutions of the social partners and of the Palestinian Authority. New priority initiatives should be urgently considered. Given the fact that the ILO is not a funding institution, we must target well the specific action that can be implemented with our own resources.

87. In the immediate term, the ILO needs to strengthen the capacity of its Office in Jerusalem. The internal Task Force set up by the Director-General at the end of 2000 is to examine all currently funded projects and programmes, whether in implementation or on standby, assess their suitability in the present context and possibly redirect them towards emergency requirements. Priority should be given to strengthening the response capacity of ILO constituents to the emergency needs arising out of the present crisis.

88. At the same time the ILO needs to reassess its existing programme of technical cooperation in the light of the new situation and priorities identified for the medium term. Four areas have been identified by the mission's interlocutors, namely employment, social protection, social dialogue and institution building.

Employment promotion

89. The Minister of Labour, the Minister of Economy and Trade and high-level officials of the Ministry of Planning and International Cooperation have all emphasized to the ILO the need for support and assistance in the area of employment, training and small enterprise development. The situation of women and youth was stressed as requiring particular attention. The ILO is currently implementing a number of activities in these areas on a project-by-project basis. It should explore ways in which it can strengthen the capacity of the various ministries currently engaged in implementing activities with a bearing on employment.

90. One suggestion made to the ILO is the establishment of a central fund to be set up by development institutions and donor countries as a mechanism to finance employment and training activities. A resolution submitted to the International Labour Conference by the Arab Labour Organization called on the ILO to contribute effectively towards the creation of an Employment and Social Protection Fund. The fund is to provide support for employment creation in small-scale public works as part of the reconstruction of public infrastructure (roads, parks, sidewalks, water systems, wells, irrigation systems, etc.) damaged during the recent incursions, for strengthening established vocational training institutions and small business training services, as well as for providing microcredit to small projects of the self-employed and small businesses. The

fund would integrate all related projects financed by the donor community within a coherent perspective and thus enhance its development impact.

91. The experience of social development funds (for example, in Egypt) provides a good illustration of the range of employment-related activities that can be financed with such a mechanism. Small projects are implemented in close collaboration with local government and communities. The feasibility of setting up a Palestinian Fund for Employment and Social Protection could be investigated, in close consultation with donors regarding funding and with technical agencies and units in the occupied territories on implementation mechanisms. The ILO could draw on its expertise to provide technical assistance to the PA in order to carry out a study of the desirability and feasibility of such an institution. It could also initiate projects in some of the areas mentioned above while the creation of the fund is being considered. Such a fund would need to complement rather than supplant existing assistance already provided by donors, the United Nations and international financial institutions.

Youth

92. The need to establish networks that contribute, in spite of the difficulties and tensions, to modifying attitudes and guaranteeing access to education and training for women and youth has been reaffirmed by the officials met by the ILO mission. The ILO has been a key participant in the establishment of the Youth Employment Network (YEN) [5] in close collaboration with the United Nations and the World Bank.

93. The use of such a network could create a positive environment in which young Palestinian workers and students would be given training opportunities in areas of strategic value for the economy of the occupied territories. This was considered a priority by personalities met by the mission in the Peoples International Institute of Histadrut in Beit Berl, and in Al-Quds University and at the Palestinian Academic Society for the Study of International Affairs (PASSIA) in Jerusalem.

94. In addition the ILO has, through its recently established network of universities, contributed to disseminating practical information on experiences with regard to decent work, local development and international decentralized cooperation. This network could be mobilized for education and training purposes for the benefit of Palestinian youth with the support of other national and international university networks.

[5] www.ilo.org/exrel/partners/youth.htm

Box 4. Women's empowerment

In Beit Berl, at the Peoples International Institute for Solidarity and Development of the Histadrut, the Israeli trade union federation, Palestinian women from the West Bank and Gaza have met with Israeli, Jewish and Arab women to discuss gender empowerment, identity and peace. The workshops started in an "environment where tension is mixed with curiosity and the wish to better understand what is happening outside", the facilitator in charge of organizing the workshops told the ILO mission. There were shouts and tears, but no aggression, and respect and acceptance have been established at the beginning of each session. The mission met with a group of Arab, Palestinian and Israeli women and youth.

A Palestinian mother explained that she went to her first workshop with a sceptical feeling but she was curious. She soon realized that there was a way to face this unbearable situation: "We suffer the most as women and we all know at the end of the workshop that if we had the choice we would stop this nonsense soon." An Arab Israeli spoke on behalf of her mother, also present at the workshop: "I learned from my mother as well as my sisters how important it was to look at the situation in a different way, constructively. I have the feeling I can leave without being depressed and desperate. I know that I will still work and play a role in this society. As an Arab Israeli I have rights and I want to exercise them. There is hope, I need to believe so and to tell and explain to others. I feel that a change in attitudes will make the difference in this dramatic context in which we live." Professional facilitators are hired to manage the workshops held in English, Arabic and Hebrew. Topics such as democratic governance, community, leadership groups and citizenship are discussed. The trainees continue to use the Institute as a reference and a place to meet with people from the "other side".

Social protection

95. First, initial ILO work on the design of a Palestinian social protection system needs to be pursued. Rather than starting with a full-fledged system that would invariably face financial limitations, an incremental approach seems preferable, giving priority to one or only a few contingencies. Preliminary discussions suggest these might be occupational injuries and disabilities, and old-age pensions. The absence of any institutionalized form of income support for persons in old age is a significant cause of poverty.

96. Second, the terms of the Paris Protocol on the transfer of social security rights accumulated by Palestinian workers working in Israel need to be given effect (Paris Protocol, 1994). The ILO could undertake an initial exploration of the possible mechanisms by which Palestinian workers could be guaranteed more transparent access to information on their social security rights, as well as a more effective disbursement mechanism. Close consultations with employers' and workers' organizations in Israel and in the occupied territories would be desirable.

Social dialogue and institutional support

97. The ILO should enhance the support provided to strengthening the institutional capacity of employers' and workers' organizations. In particular, their ability to provide services to their members should be expanded. In parallel, some innovative approaches to social dialogue should be adopted, with institutional training on issues such as conflict resolution and building constructive relations. This is an area of ILO expertise that can be mobilized with universities abroad (for example, the School of Industrial and Labor Relations at Cornell University, Ithaca, New York, and York University, Toronto) or institutions in the West Bank and Gaza, such as PASSIA and Al-Quds University. The ILO International Training Centre in Turin should also be used as a "neutral" place where such training could be conducted.

IV. Conclusions

98. The Palestinian and Israeli populations are paying a very high price for occupation and violence. The economic and social situation in the occupied territories is deteriorating daily, with rising levels of poverty and unemployment, which has become in practice a widespread humanitarian crisis. The violence has heightened the sense of insecurity in Israel and contributed to its current economic recession.

99. The dramatic situation documented in this report calls for immediate measures and responses as well as an enhanced medium-term programme of technical cooperation. A gradual lifting of the closures would go a long way towards alleviating the dire situation of Palestinian workers and families. Likewise, measures to resume employment of Palestinian workers in Israel would serve to reduce the dramatically high level of unemployment. Both these measures would greatly ease the present crisis and facilitate the resumption of political discussions on a peaceful settlement of the conflict.

100. The donor community has indicated its readiness to pursue its humanitarian effort to alleviate immediate hardship and start reconstructing damaged infrastructure. The ILO is called upon to strengthen its programme of technical cooperation. In the immediate future, it needs to better streamline ongoing and planned activities in order to respond to pressing demands. An enlarged programme of ILO technical cooperation needs to be built around the notion of decent work, addressing rights at work, employment, social protection and social dialogue. The ILO can significantly contribute to the ongoing and future efforts to rebuild the basis of economic activity in the occupied territories. Gainful employment stands out again as the most critical issue. A number of proposals have been made in this report that need to be further examined. Among them, one suggestion is to undertake a feasibility study for what could be a Palestinian Fund for Employment and Social Protection, in order to better integrate and enhance the impact of donor assistance towards employment-

enhancing measures, in the form of small-scale public works, training, business services and microcredit for small business initiatives. There is a need to strengthen the capacities and accountability of employers' and workers' organizations, as well as to promote wider opportunities for social dialogue on critical economic and social issues. The establishment of a social security system in the occupied territories should be initiated.

101. A comprehensive response to the very severe crisis unfolding in the occupied territories is a practical contribution to meeting the need to reinforce dialogue and political negotiations, which in turn will strengthen the basis of economic growth and social protection, making it possible for people to lead more secure lives in the occupied Arab territories.

102. All the members of the mission believe that we need to have a hands-on approach, a hopeful attitude and the conviction that the ILO must do what it can today to advance dialogue, development and peace, even under the most critical circumstances.

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ANNEX I

List of interlocutors

Sunday, 28 April: Jerusalem

1. *Federation of Palestinian Chambers of Commerce, Industry and Agriculture, Jerusalem*

   Ahmad Hashem Alzughair, President

   Abdul Rahman Abu Leil, Secretary-General

   Amin Beidoun, Economic Department

   Azzam Abu Said, Adviser

2. *Palestinian Academic Society for the Study of International Affairs (PASSIA)*

   Mahdi Abdul Hadi, Head

3. *Israeli Ministry of Foreign Affairs and Ministry of Labour and Social Affairs*

   Ilan Elgar, Director of International Organizations Division, Ministry of Foreign Affairs

   Yekoutiel Sabah, Head of Strategic Planning Division, Ministry of Labour and Social Affairs

   Mordechai Yedid, Deputy Director-General, Ministry of Foreign Affairs

   Ben Toura, International Organizations Division, Ministry of Foreign Affairs

4. *Al-Quds University*

   Sari Nusseibeh, Political Commissioner of Jerusalem Affairs and President, Al-Quds University

   Salah Zuheikeh, General Secretary, Fateh

   Saman Khoury, Spokesperson, Peoples Peace Campaign

   Khuloud Khayyat Dajani, President's Executive Assistant, Al-Quds University

Monday, 29 April: Ramallah

1. *Ministry of Planning and International Cooperation (MOPIC) of the Palestinian Authority*

   Ahmed Soboh, Assistant to the Minister for International Cooperation

   Hisham Mustafa, Director for Europe, MOPIC

   Khaled Al-Atrash, Director-General of Planning and Projects, MOPIC

2. *Palestinian Central Bureau of Statistics (PCBS)*
   Hasan Abu Libdeh, President
   Luay Shabaneh, Assistant for Technical Affairs
   Sufian Barghoutt, Economic Statistics
   Saleh Kafir, Labour Force Statistics
3. *Ministry of Labour of the Palestinian Authority*
   Rafiq Al-Natsheh, Minister
   Mohammad Abu Shama'h, Director-General for Tripartism
   Ghazi Khalili, Director-General of Planning and Information
   Fathma Al Qatif, Office of the Minister

Tuesday, 30 April: Nablus

1. *Sheikh Khalifa Ben Zayed Vocational Rehabilitation Center*
   Maher Risheh, Project Manager
2. *Mayor of Nablus*
   Ghassan W. Shakah, member of the Executive Committee of the PLO and Mayor of Nablus
3. *Nablus Chamber of Commerce and Industry*
   Ma'az Nabulsi, President
   Hussein Hijawi, Secretary-General
   Hisham Gohar, Adviser
   Omar Hashem, Vice-President
4. *Palestine General Federation of Trade Unions (PGFTU) in Nablus*
   Shaher Sa'ed, General Secretary
   Issam Wahba, Education and Publishing Department
   Abla Masrogeh, Women's Department
   Ghada Abu-Ghalyoon, Executive Secretary of Shaher Sa'ed
   Atef Sa'ed, Journalist at *Sawt El-Amel* ("Voice of Workers") magazine, PGFTU

Wednesday, 1 May: Gaza

1. *United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)*
   Richard Cook, Director of Operations
2. *Gaza Chamber of Commerce, Industry and Agriculture*
   Mohammed Qudwah, Head of Chamber of Commerce and Governor of Gaza
   Bassam Mourtaja, Acting Manager
3. *Palestine General Federation of Trade Unions (PGFTU) in Gaza*
   Rasem Al Bayari, President of PGFTU-Gaza
   Nabel Al-Sharef, Head of Job Creation Committee, and other officials

4. *Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO)*

Francis Okelo, Deputy Special Coordinator

Rana Hatem Zakout, Programme Officer

Salem Ajluni, Economist, Consultant

Also present at the meeting convened by UNSCO: UNICEF, UNESCO, WHO, UNRWA, UNDP, ILO, OHCHR, UNHCR

Thursday, 2 May

1. *Erez (Israeli authorities)*

Sarah Shdeour, Deputy to the Legal Adviser, National Insurance Institute

Yekoutiel Sabah, Head of Strategic Planning Division, Ministry of Labour and Social Affairs

Eli Paz, Senior Deputy Director-General, Ministry of Labour and Social Affairs

Isaac Gurvich, Head of Economic Branch, Coordination of Government Activities

Gabby Bar, Deputy Director-General for Middle East and Africa Division, Ministry of Industry and Trade

Ilan Elgar, Director of International Organizations Division, Ministry of Foreign Affairs

Hillel Adiri, Agriculture and Water Coordinator, Ministry of Agriculture

Joseph Levy, Head of International Organization Department, Ministry of Defense

Brigadier-General Kamil Abu Rokum, Deputy Coordinator of Government Activities in the Territories

Eli Korah, Farmers' Federation of Israel

2. *Manufacturers' Association of Israel*

Joseph Gattegno, Head of Labour and Human Resources Division

Moshe Tiomkin, member of City Council, Chairman of Traffic and Parking Committee and Chairman of Security Committee, Municipality of Tel Aviv-Yafo

Dan Yarden, Chief Economist and Human Resources, Israel Hotel Association

Friday, 3 May: Jerusalem/Tel Aviv

1. *Jerusalem*

Jean Mjaugedal, Counsellor, Representative Office of Norway

Gianni Ghisi, Consul-General of Italy

Antonio Aloi, Director of Office of Development Cooperation, Italian Consulate

Micheal Keating, Director, Aid and Socio-Economic Affairs, UNSCO

2. *Tel Aviv*

Merri Minuskin, Head of Middle East Division, International Institute – Histadrut

Yousef Kara, Official in Charge of International Relations, Histadrut

Gabriel Gaon Lousqui, Manager, International Institute – Histadrut, and other students and teachers of international relations

Saturday, 4 May: Jerusalem, Al-Ram/Ramallah

1. *Jerusalem, Al-Ram*

   Mohammad Shtayyeh, Managing Director, Palestinian Economic Council for Development and Reconstruction (PECDAR)

2. *Ramallah*

   Maher Masri, Minister of Economy and Trade of the PA

   Hasan Barghouthi, General Director of Democracy and Workers' Rights Center

   Ahmed Soboh, Assistant to the Minister for International Cooperation, MOPIC

   Hisham Moustafa, Director for Europe, MOPIC

Sunday, 5 May: Golan/Jerusalem

1. *Golan*

   Abu Saleh Majd, member of the Arab Community in Majdal Shams (Golan) and other members of the Arab community

2. *Jerusalem*

   Shlomo Benizri, Minister of Labour and Social Affairs of Israel

   Yitzhak Hazan, Director-General, Ministry of Labour and Social Affairs

   Yekoutiel Sabah, Head of Strategic Planning Division, Ministry of Labour and Social Affairs

   Eli Paz, Senior Deputy Director-General, Ministry of Labour and Social Affairs

Monday, 6 May: Jerusalem/Tel Aviv

1. *Jerusalem*

   Timothy Rothermel, Special Representative, UNDP

   Omar Daoudi, Senior Adviser to the Special Representative

2. *Tel Aviv*

   Yousef Kara, Histadrut, and Association of Industrial Relations (AIR), Israel

   Joseph Gattegno, AIR

   Ben Ami Amiran, member of the AIR

   Rudi Dressler, Germany

   Frank von Auer, Labour Attaché, German Embassy

Thursday, 2 May: Damascus

Ghada Al Jabi, Minister of Labour and Social Affairs, Syrian Arab Republic

Nawaf Al Fares, Governor of Quneitra

Samer Al Dabbas, President, Industrial Chamber of Damascus

Haitham Al Midani, Manager, Chamber of Industries of Damascus

Mustafa Issa, Secretary-General of International and Arab Relations, Syrian Trade Union Confederation

Walid Al Mualem, Assistant Minister for Foreign Affairs

Ragab Matook, Vice-President of the International Confederation of Arab Trade Unions (ICATU)

Friday, 3 May to Wednesday, 8 May: Cairo

Ibrahim Guider, Director-General, Arab Labour Organization

Amr Mussa, Secretary-General, League of Arab States

Governing Body, Arab Labour Organization

ANNEX II

Technical cooperation projects and proposals

1. Status of ongoing programme (initiated before November 2000)

	Project	Budget (US$m)	% complete	Donor
1	Establishment of Vocational Rehabilitation Center (Sheikh Khalifa)	2.000	90	UAE
2	Development of technical colleges, phase 2	0.500	0	Italy
3	Technical assistance to the PGFTU [1]	0.325	5	Italy (Workers' Bankers Association)
4	Palestinian Employment Programme (PEP): A Medium-Term Strategy	1.470	100	UAE
	Total [2]	4.295		

[1] Allocations for 2002 = $227,000, commitment = $93,000, expenditure = $7,000. [2] Allocations for 2002 = $176,000, commitment = $141,000, expenditure = $27,000.

2. 2001 emergency employment-generation projects funded by the ILO

	Description	Budget (US$m)	% complete
1	Emergency Programme for Socio-economic Rehabilitation, Training and Support of People with Disabilities	0.068	0
2	Palestinian Employment Programme, Medium-Term Strategy. Extension and transition	0.100	40 (started 01.03.01)
3	Better Skills for Better Future in the West Bank and Gaza	0.100	0
4	Assessment of the performance of the Palestinian private sector under the current economic situation	0.036	40 (started 01.04.01)
5	Study on micro-finance for the self-employed and small and micro-enterprises	0.005	100
6	Rapid assessment of employment intensity of current and planned infrastructure works	0.015	0
	Total	0.324	

3. 2001 emergency employment-generation project proposals drafted for donor support

	Description	Budget (US$m)
1(a)	Community support for employment and socio-economic rehabilitation in selected communities of the West Bank and Gaza	1.230
1(b)	Training component for community support for employment and socio-economic rehabilitation in selected communities of the West Bank and Gaza	0.570
2	Establishment of Sheikha Fatima Bent Mubarak Vocational Rehabilitation Center for People with Disabilities and Youth with Special Needs in Hebron [1]	3.500
3	Better Skills for Better Future in the West Bank and Gaza [2]	0.520
4	National Programme of support to youth development and the elimination of the worst forms of child labour based in the West Bank and Gaza [3]	0.850
5	Palestinian Employment Programme, Phase 2, for better monitoring of the labour market	1.340
6	Emergency Programme for Socio-economic Rehabilitation, Training and Support of People with Disabilities in the West Bank and Gaza	0.100

	Description	Budget (US$m)
7	Technical advisory services on employment and income generation to address the overall employment generation and promotion policies and programmes in the West Bank and Gaza	0.300
8	Community-based social protection programme [4]	1.000
	Total	9.400 [5]

[1] Partially funded by the Red Crescent/Red Cross Society for the United Arab Emirates (UAE) (US$1 million). Islamic Development Bank indicated interest for the equipment component for US$1 million. [2] Funded by Saudi Arabia (US$1 million). [3] Partially funded by Italy (US$400,000). [4] France has pledged US$1 million for this programme to be jointly formulated. [5] Donors pledged US$3.9 million, of which US$1 million funds received.

4. 2002 pipeline project proposals handed over to the mission by the Palestine General Federation of Trade Unions (PGFTU)

	Project	Location	Duration	Estimated budget (US$)
1	Labour database establishment at the PGFTU	West Bank and Gaza		86 500
2	To support the development of effective media and information services in PGFTU	West Bank and Gaza	2 years	65 000
3	Enhancement of women's membership in trade unions	West Bank and Gaza	2 years	100 000
4	Proposal for Palestinian Labour Educational Institute	West Bank and Gaza	To be defined	To be defined
5	Ten weeks emergency operating programme	West Bank and Gaza	10 weeks	105 000
6	Proposal to support the PGFTU	West Bank and Gaza	2 years	161 000
	Total			517 500

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